

Emerging Challenges to Global Governance in 21st Century

Pramod Mishra, Ph.D

Professor, College of Governance and Development
Hawassa University, Ethiopia

Doi:10.5901/ajis.2013.v2n8p622

Abstract

Global governance—the collective management of common problems at the international level—is at a critical juncture. Although global governance has been a relative success since its development after the Second World War, the growing number of issues on the international agenda, and their complexity, is outpacing the ability of international organizations and national governments to cope. Power shifts are also complicating global governance. If global governance structures and processes do not keep up with the changes in the balance of power in the international system, they run the risk of becoming irrelevant. Emerging powers are suspicious of current institutional arrangements, which appear to favor established powers. Without adequate frameworks to bring order to an international system in flux, disorder could prevail, fueling greater instability. The mix of old and new challenges generates new requirements for collective problem-solving: more international cooperation and innovative approaches. The United States' National Intelligence Council (NIC) and the European Union's Institute for Security Studies (EUISS) have recently projected the long-term prospects for global governance by the mid-21st century. Two important documents have emerged out of this exercise. One is Global Trends 2025: A Transformed World. The other is The New Global Puzzle. What World for the EU in 2025?

1. Introduction

Global governance – the collective management of common problems at the international level – is at a critical juncture. Although global governance institutions have racked up many successes since they were developed after the Second World War, the growing number of issues on the international agenda, and their complexity, is outpacing the ability of international organisations and national governments to cope. With the emergence of rapid globalisation, the risks to the international system have grown to the extent that formerly localised threats are no longer locally containable but are now potentially dangerous to global security and stability (NIC, 2011). China, India, Brazil and other fast-growing economies has taken economic interdependence to a new level. The multiple links among climate change and resources issues, the economic crisis, and state fragility – ‘hubs’ of risks for the future – illustrate the *interconnected nature* of the challenges on the international agenda today. The shift to a *multipolar world* is complicating the prospects for effective global governance. The expanding economic clout of emerging powers increases their political influence well beyond their borders. Power is not only shifting from established powers to rising countries and, to some extent, the developing world, but also towards non-state actors.

At the beginning of the century, threats such as ethnic conflicts, infectious diseases, and terrorism as well as a new generation of global challenges including climate change, energy security, food and water scarcity, international migration flows and new technologies are increasingly taking centre stage.

The multiple links among climate change and resources issues, the economic crisis, and state fragility – ‘hubs’ of risks for the future – illustrate the *interconnected nature* of the challenges on the international agenda today. Many of the issues cited above involve *interwoven domestic and foreign challenges*. Domestic politics creates tight constraints on international cooperation and reduces the scope for compromise. Diverse perspectives on and suspicions about global governance, which is seen as a Western concept, will add to the difficulties of effectively mastering the growing number of challenges.

2. Systemic Risk in the 21st Century

Recent decades of globalisation have created a more interconnected, interdependent and complex world than ever witnessed before. While global policy has focused on facilitating integration, the implications of growing interdependence have been largely ignored. While the acceleration in global integration has brought many benefits, it has also created

fragility through the underlying production of new kinds of systemic risks. It is essential to conceptualize the systemic risk in the 21st Century and examine the challenges it poses to global governance regimes. The 2008-2009 financial crisis illustrates the failure of even sophisticated global institutions to manage the underlying forces of systemic risk, and this is symptomatic of institutional failure to keep pace with globalisation. The lessons from the financial crisis highlight the real threat of systemic risk to other 21st Century challenges, but more importantly, they expose the profound shortcomings of global institutions to manage global systemic risks in the future. The failure of the most developed and best-equipped global governance system, finance, to recognize or manage the new vulnerabilities associated with globalisation in the 21st Century highlights the scale and urgency of the challenge.

3. Policy Implications

- The rise of systemic risk requires a systemic response. Effective global governance and policy development has never been so necessary and urgent.
- The financial crisis illustrated that current global financial institutions are inadequate in their policy response to systemic risk and cannot keep pace with innovation and increasing system complexity in global finance. Deeper structural changes are required, including with respect to regulatory reforms.
- The institutional rigidity and profound shortcomings of global institutions applies not only to global finance, but to other looming systemic risks in the future. Neither the current global governance system, nor the planned reforms, meets the test of addressing new global systemic risks.
- Global governance requires radical structural changes in existing institutions and the development of new global institutions that reflect the realities of new global power balances and address the forces of systemic risk in the 21st Century.(NIC,2011)

4. Global Governance 2025: A Joint US-EU Perspective

The report "Global Governance 2025: At a Critical Juncture" was a collaborative effort between the two allies and could serve as a harbinger of greater coordination in the future that is forward-looking and pro-active rather than merely in response to a particular crisis.

The report submitted on *20 January 2011* refers to the United States' National Intelligence Council and the European Union's Institute for Security Studies which recently concluded that current governance frameworks will be unable to keep pace with looming global challenges unless extensive reforms are implemented.

India's rise has not only made investors across the globe happy but has also been acknowledged by the "Global Governance 2025" jointly issued by the National Intelligence Council (NIC) of the US and the European Union's Institute for Security Studies (EUISS,2006) ranking India as the third most powerful country in the world after the US and China and the fourth most powerful bloc after the US, China and the European Union.

Global Governance 2025 is the result of an inclusive process, enriched by wide-ranging consultations with government officials; as well as business, academic, NGO, and think tank leaders; and media representatives in Brazil, China, India, Japan, Russia, South Africa, and in the Gulf regio(the UAE). The diversity of the comments and insights, which we have included in the body of the text, testifies both to the richness of the debate and to the difficulty of reconciling different interests and standpoints when reforming global governance. A number of experts, acknowledged elsewhere have contributed to the success of this project and to the high quality of this report. The Atlantic Council of the US and the Transatlantic Policy Network have been partners in supporting the project. *Global Governance 2025* provides an important step with a view to future joint projects on matters of common interest.

5. Major Recommendations

It provides an important step with a view to future joint projects on matters of common interest. Global governance—the collective management of common problems at the international level—is at a critical juncture. Although global governance has been a relative success since its development after the Second World War, the growing number of issues on the international agenda, and international organizations and national governments to cope. Power shifts are also complicating global governance.

Some progress has been made to adjust international institutions and regimes to meet the new demands and to create workarounds, if not new frameworks. Such efforts are unlikely to suffice, however. If global governance structures

and processes do not keep up with the changes in the balance of power in the international system, they run the risk of becoming irrelevant. Emerging powers are suspicious of current institutional arrangements, which appear to favor established powers. Without adequate frameworks to bring order to an international system in flux, disorder could prevail, fueling greater instability. The mix of old and new challenges generates new requirements for collective problem-solving: more international cooperation and innovative approaches. Much will depend on leadership and political will.

The term “*global governance*” as used in this paper includes all the institutions, regimes, processes, partnerships, and networks that contribute to collective action and problem solving at the international level. Global governance does not equate to world government, which would be virtually impossible for the foreseeable future, if ever.

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6. Major Changes in Global Institutions in 20th Century

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7. Emerging New Structural Changes

Global governance—the collective management of common problems at the international level—is at a critical juncture. Although global governance institutions have racked up many successes since their development after the Second World War, the growing number of issues on the international agenda, and their complexity, is outpacing the ability of international organizations and national governments to cope. With the emergence of rapid globalization, the risks to the international system have grown to the extent that formerly localized threats are no longer locally containable but are now potentially dangerous to global security and stability.

Interdependence has been a feature of economic globalization for many years, but the rise of China, India, Brazil, and other fast-growing economies has taken economic interdependence to a new level. The multiple links among climate change and resources issues; the economic crisis; and state fragility—“hubs” of risks for the future—illustrate the *interconnected nature* of the challenges on the international agenda today. Many of the issues cited above involve *interwoven domestic and foreign challenges*.

8. Changing Perceptions of Some Emerging Nations

Brazilians feel there is a need for a redistribution of power from developed to developing states. Some experts believe, Brazil is tending to like state-centered multilateralism.

Many of our *Chinese* intellectuals see mounting global challenges and fundamental defects in the international system but emphasize the need for China to deal with its internal problems. The Chinese envisage a “bigger structure” pulling together the various institutions and groups that have been established recently. They see the G-20 as being a step forward but question whether North-South differences will impede cooperation on issues other than economics. (NIC, 2006)

The *Indians* believe that existing international organizations are “grossly inadequate” and worried about an “absence of an internal equilibrium in Asia to ensure stability.” They felt that India is not well positioned to help develop regional institutions for Asia given China’s preponderant role in the region.

Russian intellectuals see the world in 2025 as still one of great powers but with more opportunities for transnational cooperation. The Russians worried about the relative lack of “transpacific security.” The United States, Europe, and Russia also have scope for growing much closer, while China, “with the biggest economy,” will be the main

factor in changing the world.

The *South Africans* conceive that globalization appears to be strengthening regionalization as opposed to creating a single global polity. They are worried that the losers from globalization increasingly outnumber the winners.

In addition to the shift to a multi-polar world, power is also shifting toward *nonstate actors*, be they agents or spoilers of cooperation. On a positive note, transnational nongovernmental organizations, civil-society groups, churches and faith-based organizations, multinational corporations, other business bodies, and interest groups have been equally, if not more effective than states at reframing issues and mobilizing publics—a trend we expect to continue. However, hostile non-state actors such as criminal organizations and terrorist networks, all empowered by existing and new technologies, can pose serious security threats and compound systemic risks.(Global Policy,2013) Many developing countries—which are likely to play an increasing role at the regional and global level—also suffer from a relative paucity of non-state actors, that could help newly emerging states and their governments deal with the growing transnational challenges. Global governance institutions have adapted to some degree as new issues have emerged, but the adaptations have not necessarily been intentional or substantial enough to keep up with growing demand. Rather, they have been spurred as much by outside forces as by the institutions themselves.

The emergence of *informal groupings* of leading countries, such as the G-20; the prospects for further regional cooperation, notably in East Asia; and the multiple contributions of non-state actors to international cooperation—although highly useful—are unlikely to serve as permanent alternatives to rule-based, inclusive multilateral institutions.(6) Multilateral institutions can deliver public goods that summits, non-state actors and regional frameworks cannot supply, or cannot do so in a reliable way. Our foreign interlocutors stressed the need for decisions enjoying universal legitimacy, norms setting predictable patterns of behavior based on reciprocity, and mutually agreed instruments to resolve disputes and redress torts, such as in trade matters. One can assess that the multiple and diverse governance frameworks, however flexible, probably are not going to be sufficient to keep pace with the looming number of transnational and global challenges absent extensive institutional reforms and innovations. The capacities of the current institutional patchwork will be stretched by the type of problems facing the global order over the next few decades. Numerous studies indicate the growing fragility of many low-income developing states and potential for more conflict, particularly in cases where civil wars were never fully resolved.

Although one can expect increased political and economic engagement from rising powers—in part a reflection of their increasing global interests—emerging powers have deep-seated concerns about the consequences of the proactive management of state fragility.

Prevention, for example, often can require direct political intervention or even the threat or use of military force as a last resort. Efforts to prevent conflict have often been slowed by reluctance and resistance to intervene directly, potentially overriding another country's sovereignty. Many experts in emerging states thought their governments probably would be particularly leery of any intervention if it is driven by the "West."

Another cluster of problems—the management of energy, food, and water resources—appears particularly unlikely to be effectively tackled without major governance innovations.

(Global Policy,2013) Individual international agencies respond to discrete cases, particularly humanitarian emergencies in individual countries. However, no overall framework exists to manage the interrelated problems of food, water and energy. The stakes are high in view of the impact that growing scarcities could have on undermining the open international system. Resource competition in which major powers seek to secure reliable supplies could lead to a breakdown in cooperation in other areas. Moreover, scarcities are likely to hit poor states the hardest, leading in the worst case to internal or interstate conflict and spillover to regional destabilization. Other over-the-horizon issues—migration, the potential opening of the Arctic, and risks associated with the biotechnology revolution—are likely to rise in importance and demand a higher level of cooperation. These issues are difficult ones for multilateral cooperation because they involve more preventive action. Under current circumstances, greater cooperation on those issues in which the risks are not clear-cut will be especially difficult to achieve

9. Changing Mode of Interdependence

The multiple links among climate change and resources issues; the economic crisis; and state fragility—"hubs" of risks for the future—illustrate the *interconnected nature* of the challenges on the international agenda today. The shift to a *multipolar world* is complicating the prospects for effective global governance. The expanding economic clout of emerging powers increases their political influence well beyond their borders. Power is not only shifting from established powers to rising countries and, to some extent, the developing world, but also toward non-state actors. Diverse perspectives and

suspicions about global governance, which is seen as a Western concept have sharpened the differences and difficulties of effectively mastering the growing number of challenges.

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